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## BOOK REVIEWS AND NOTICES

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*Public Ownership of Telephones on the Continent of Europe.* By A. N. HOLCOMBE. Harvard Economic Studies, Vol. VI. Boston and New York: Houghton Mifflin Co., 1910. 8vo, pp. xx+482. \$2.00 net.

Dr. Holcombe has written a thorough and painstaking study of the development of public telephone systems in the principal countries of continental Europe. The author has not approached his subject with any prejudice in favor of or against public ownership; but he does test the results from the point of view of the community as a whole. His information is taken largely from official documents and reports, the publications of semiofficial bodies, such as associations of municipal officials and chambers of commerce, technical publications, and personal interviews. This material, collected during two years abroad, has been thoroughly digested and is presented in a clear and orderly fashion.

After a short introduction on the origin of European state telegraphs, Part I deals in detail with the public telephone system of Germany; Parts II and III give a less extended discussion of the conditions in Switzerland and France; Part IV presents a brief summary of public telephones in a number of other countries, with chapters on comparative telephone rates, comparative telephone development, and a concluding chapter on the economy of public ownership.

In the parts dealing with Germany, Switzerland, and France, there is discussed at some length, not only the origin and general development of the telephone systems in these countries, but also the technical progress, the relations between the telephone and other branches of electrical industry, the changes in rate policy, and the labor situation.

The main facts in the development of public ownership of telephones may briefly be noted. In Germany and Switzerland the introduction of the telephone was undertaken from the beginning by the government telegraph authorities. In all the other European countries private ownership was the original policy. But as early as 1889 France adopted the policy of public ownership, followed soon by Belgium, Austria, and Hungary, and later by Italy, while the transition is now under way in the Netherlands, Norway, and Sweden. Only Spain and Denmark still continue the system of private ownership.

Various causes and local conditions led to this general movement toward public ownership of telephones in continental Europe. But Dr. Holcombe finds that, underlying the diverse arguments and local events, one circumstance was decisive. "That was the ownership of the telegraphs by the government. No country was able to retain the possession of its telegraph system and at the same time leave the telephone in private hands. The conflict of interest was too sharp. No country cared to abandon its telegraphs; therefore, it was compelled to acquire the telephone."

In regard to the success or failure of government ownership of telephones.

Dr. Holcombe finds that "the nearest approach to a general statement that can be made is that in some countries public enterprise has bungled miserably in the telephone business, and that in others public enterprise has not bungled at all.

"The German and Swiss telephone authorities have maintained a telephone service that has been both adequate in quantity and satisfactory in quality. The Germans originally established a schedule of rates that was reasonable under the existing conditions, and although for a period, in consequence of the subsequent changes in the character of the demand, that original schedule fell out of accord with altered conditions, it was ultimately subjected to a succession of reforms, designed to readjust the rates to the new conditions and on a basis calculated to enable the community to derive the maximum utility from its telephone system. The Swiss secured a wider and more prompt utilization of the telephone than occurred anywhere else on earth, led the way in the substitution of measured service for unlimited service, and have ever operated a technically sound system at rock-bottom rates. The French telephone authorities, on the other hand, have not succeeded in maintaining either an adequate quantity or a satisfactory quality of telephone service, nor in establishing their rates on a reasonable basis."

In the course of the discussion it is shown that the public telegraph authorities on the continent of Europe employed their authority to retard the introduction of the telephone as a substitute for the telegraph; and later the public telephone authorities for a time placed obstacles in the way of the development of other electrical industries, especially those using high-tension currents, in order to protect their own weaker currents. But Dr. Holcombe finds it impossible to determine whether any more satisfactory combination of progress and economy would have been received under competition than under government monopoly; and he notes that the private telegraph monopoly in the United States imposed a heavier burden on the infant telephone industry in this country than did any of the government telegraph authorities in Europe.

From his examination of the later situation, Dr. Holcombe finds that in Germany "from the point of view of those who gain a livelihood by employment in the telephone business, public ownership has brought . . . as yet no important change in the relations between master and servant." In Switzerland there has been an official acceptance of the policy that the state should be a model employer, and some steps have been taken to carry this into effect. In France there was some improvement in the conditions of the telephone employees while M. Millerand held the post of Minister of Posts and Telegraphs; but since then the government has blindly followed its habitual policy of procrastination in this as in other matters.

After due emphasis on the difficulties involved, Dr. Holcombe, in his chapters on comparative telephone rates and comparative telephone development, makes some comparisons between the telephone situation in Germany and the United States. In regard to the absolute rates in money he considers that the difference in conditions makes any comparison unsatisfactory; but he finds room for question in the different relations between the rates for local calls at public offices and for long-distance service in the two countries. "The mere assertion, taken alone, that the price of a long-distance talk between New York and Chicago costs seven times as much as a similar talk in Germany means

nothing to a person conversant with the circumstances under which the service is rendered in the two countries. But the fact that the ratio between the price of such a talk in America and in Germany is more than three times as great as that between a local talk in the two countries is one the explanation of which would be desirable."

In the development of the telephone, relatively to population, telephones were (in 1902) four times as numerous in the United States as in Germany. But in Germany the development in the large cities and among the commercial classes was far in excess of that in the empire as a whole, and not very far behind that in America; while in rural districts the German development was far behind that in this country. Yet Dr. Holcombe considers that the German methods, all things considered, "have accomplished more for the extension of the telephone service into the rural districts than would have been possible under any system of private competition or purely local initiative"; and he holds that "the most important reason why the German rural population possessed fewer telephone-exchange facilities in 1902 than did the American was that in Germany there was less use for that kind of telephone service in the rural districts."

No definite conclusions are presented as to whether European experience is favorable or unfavorable to public ownership of telephones in the United States. Dr. Holcombe states positively his belief that competition in the telephone business is a failure; and that as a permanent status it is neither desirable nor possible. But a private monopolist must be restrained from taking an exorbitant return for his services to the community; and, while attention is called to the fact that none of the European countries has given a thorough trial to a system of private monopoly under public regulation, the difficulty of maintaining effective public regulation is also noted. "The extent to which the communities that have taken the direction of their telephone service into their own hands have profited by their venture has depended largely upon the skill with which they have organized their business administration."

All peoples do not possess the same capacity for such business organization; nor could the same people create an equally efficient public business organization in all industries. In fact, the telephone business has offered peculiar advantages for the experiment of dispensing with the private business man. The result of public ownership is a less rapid introduction of technical improvements than under a regime of free competition, but a more economical disposition of the public resources. But where the actual alternative to public ownership is a regulated private monopoly, there is no greater security for sound industrial progress than under public ownership, and it is certain that at least a portion of the advantages of industrial progress will be appropriated by the monopolist. Under proper industrial conditions, public ownership fulfils more economically than any other method of industrial organization the direct purpose of production—that is, the supply of the consumer with the kind and quantity of goods he desires.

No detailed criticism of the work seems necessary. This careful and impartial investigation will form a standard authority for our knowledge of European telephone conditions; and is an illustration of the kind of studies that are needed in regard to other subjects on which much has been written of a very different character. Neither the enthusiastic supporter of public ownership nor

the pronounced opponent of all extensions of public activity will be altogether satisfied. And the general reader may be somewhat disappointed at the lack of sweeping generalizations and any effort at literary elegance. But the serious student will find here the essential facts, expressed in clear and intelligent language, for gaining definite knowledge on one important problem of public interest.

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*Twentieth-Century Socialism: What It Is; What It Is Not; How It May Come.* By EDMOND KELLY. New York: Longmans, Green & Co., 1910. 8vo, pp. xix+446.

This is a book which in many ways puts socialism in a distinctly new light. The personality of the author shines luminously through his pages as that of a man of intense human sympathies held well in control by a trained legal intellect, and a knowledge of the economic world which in places mounts to the (for most of us) unattainable heights of "inside information." The book (published after Mr. Kelly's death) cannot fail to convince any fair-minded reader, whatever his views on socialism, that the author was not only an able but a fair-minded man. The author became a socialist very gradually; he is thus able to speak to the bourgeoisie with sympathetic understanding of their viewpoint and to the socialists as an advocate of tactical moderation in theory and ideal. He is no revolutionist. The Marxian theories are scarcely mentioned. Perhaps for these very reasons the book will not be accepted by many socialists as an authoritative statement of the aims of socialism. In fact, the author is curiously moderate in his expectations. He draws no idyllic picture of the socialistic state. Apparently laborers will be contentous over relative wages then as now. He holds out scant hope that the laborer will own a touring car, and he does not expect the socialistic régime to run without friction.

Book I clears away certain significant misconceptions of socialism. It will not suppress competition—and in the constructive part of the treatment we are surprised to learn how very much competition it will permit to continue. It will not destroy the home, nor abolish private property, nor impair liberty.

Book II is an exposition of the shortcomings of capitalism. They comprise overproduction, unemployment, prostitution, the waste of industrial conflict, adulteration, waste from high cost of marketing, cross-freights, etc., and the tyranny of the trust and the trade union. In short, capitalism is wasteful, disorderly, and stupid. An exceedingly interesting chapter on money gives, for socialism, a new theory of commercial crises, but one which it would take a congressional investigation extraordinary to prove. His treatment of the sex question is brief and pointed. Problems of sex, as such, socialism does not attempt to solve. Prostitution, however, is an economic problem. Socialism will practically solve it by removing not only the motive to irregularities but the sordid motive to marriage as well, so that the whole heredity of man may be altered for the better. His view of the situation of the trade unions is interesting: trade unions are fighting capital (the "trusts") with its own weapon—money—of which labor has little; this is not only wasteful, but it is a losing game in the long run. Socialism substitutes votes for money, and the laboring